

Tourism Market Overview

Turkey & Istanbul
2019, 1st Half



Building a better
working world

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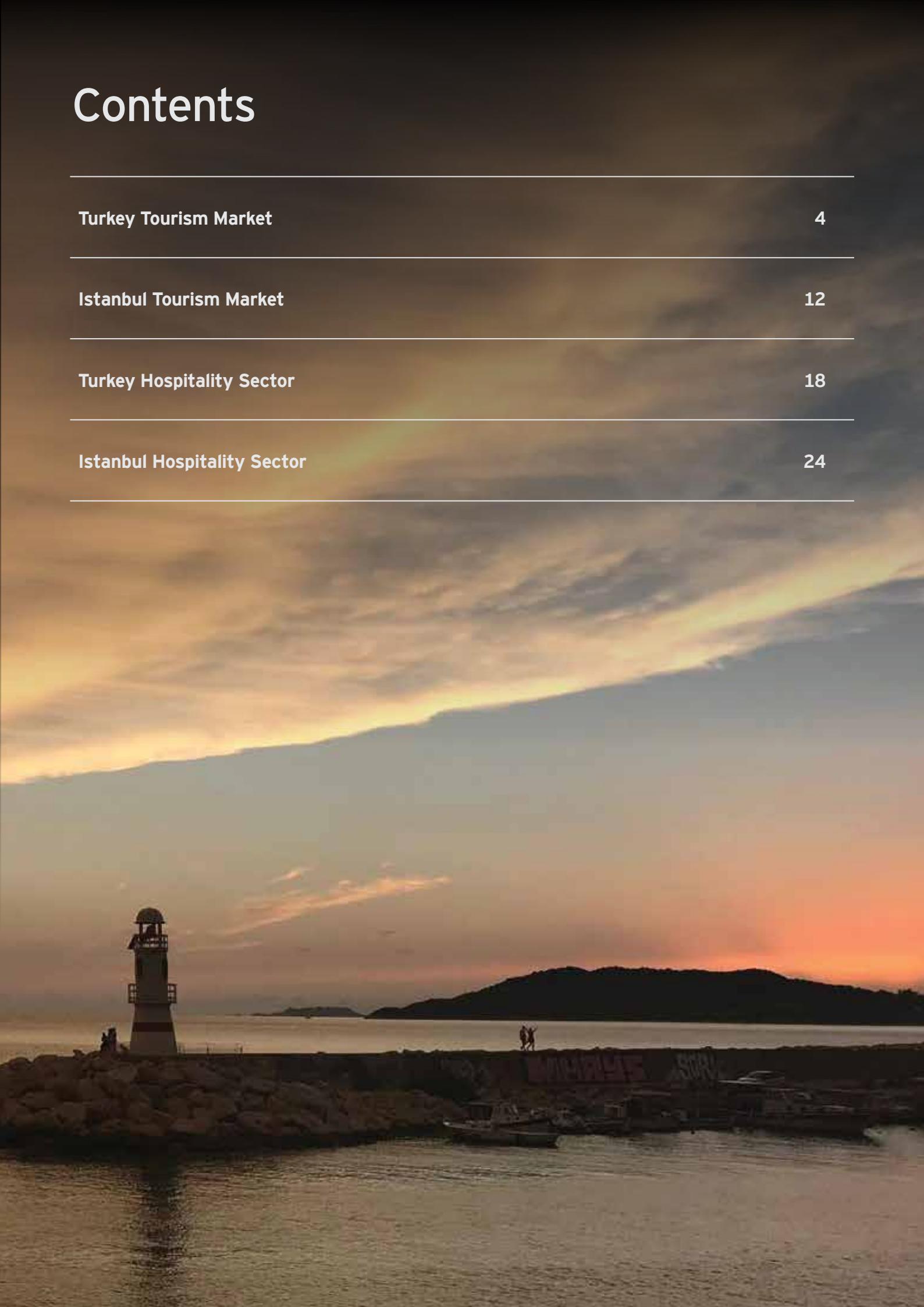
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Contents

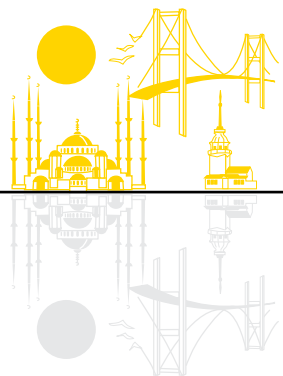
Turkey Tourism Market	4
Istanbul Tourism Market	12
Turkey Hospitality Sector	18
Istanbul Hospitality Sector	24



A large number of colorful hot air balloons are floating in a clear blue sky. The balloons feature various patterns and colors, including stripes, checkers, and solid colors. Some balloons have text on them, such as "MATH" and "TURKEY". The balloons are scattered across the frame, with some in the foreground and others in the background.

1

Turkey Tourism Market



1.1

Turkey Tourism Market: Overview

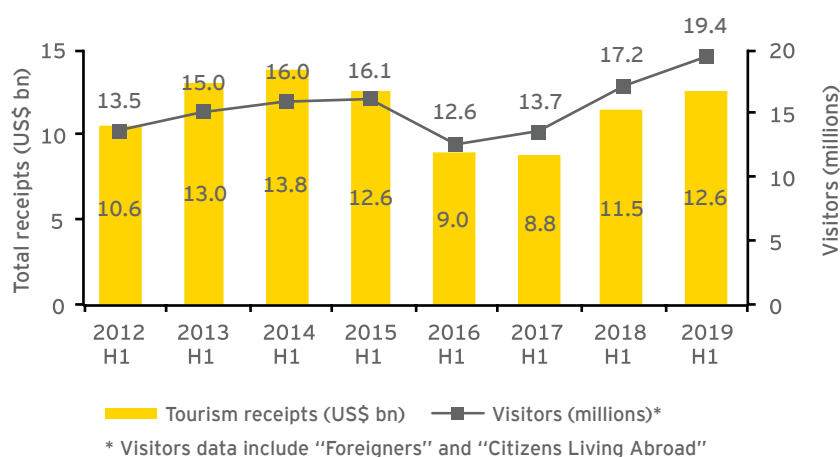
Turkey tourism market

Istanbul tourism market

Turkey hospitality sector

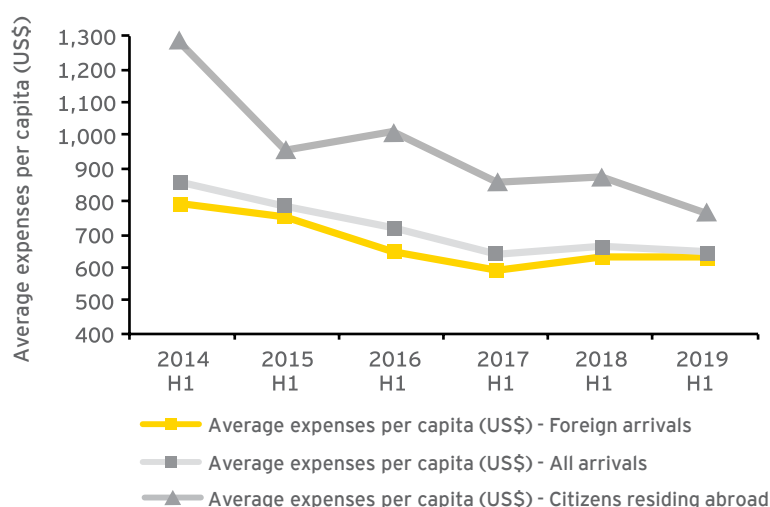
Istanbul hospitality sector

Turkey tourism - Total receipts (8 years trend)



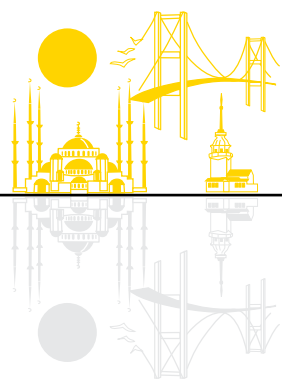
- ▶ In year 2018, Turkey has entered among the World's top 10 tourism destinations in terms of arrivals according to World Tourism Organization ("UNWTO") with 45.6 mn international arrivals.
- ▶ International arrivals in the first half of 2019 was realized as 19.4 mn. The minimum international arrivals was observed in H1 2016 with a number of 12.6 mn. Due to intense advertising and improving political relationships, tourist arrivals showed an increasing trend afterwards, especially between H1 2017 and H1 2018 with an increase rate of 25% reaching to 17.2 mn in H1 2018.
- ▶ Turkey is being preferred for its seaside resorts along the coastlines on both the Mediterranean Sea and the Aegean Sea as well as cultural attractions. Turkey also offers strong cultural tourism with a wide range of folk and traditional cultural festivals.
- ▶ According to Turkstat, Turkey's total tourism income for H1 2019 is US\$12.6 bn, reflecting an increase of 9.89% in comparison to the tourism income in H1 2018, which was US\$11.5 bn. Total tourism income for 2018 was recorded as US\$29.5 bn.
- ▶ Average tourism expenditure per capita of all visitors have decreased from US\$667 to US\$649 in H1 2019.
- ▶ Average tourism expenditure per capita for foreigners occurred as US\$630 in H1 2019, which has almost remained the same with H1 2018 (US\$629).
- ▶ Average tourism expenditure per capita for citizens residing abroad was US\$765 in H1 2019, showing a decrease of 12.7% compared to H1 2018 (US\$877).

Average expenses per capita (US\$) (H1 2014 - H1 2019)



Source: Turkish Statistical Institute (Turkstat) Data; Fitch Solutions Turkey Tourism Report Q3 2019; UNWTO International Tourism Highlights 2019 Edition

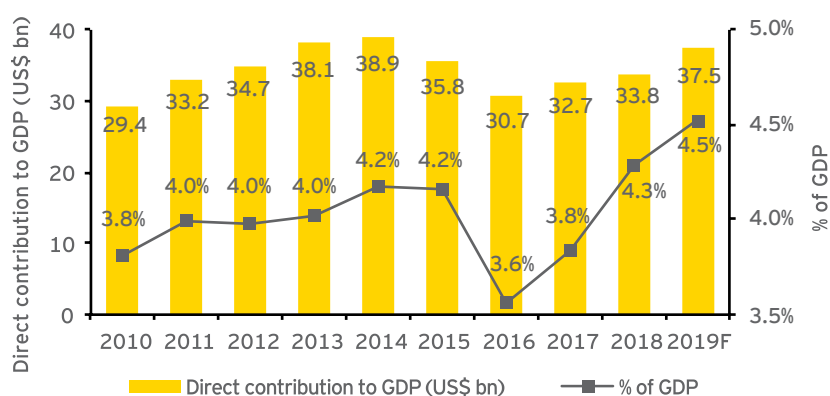




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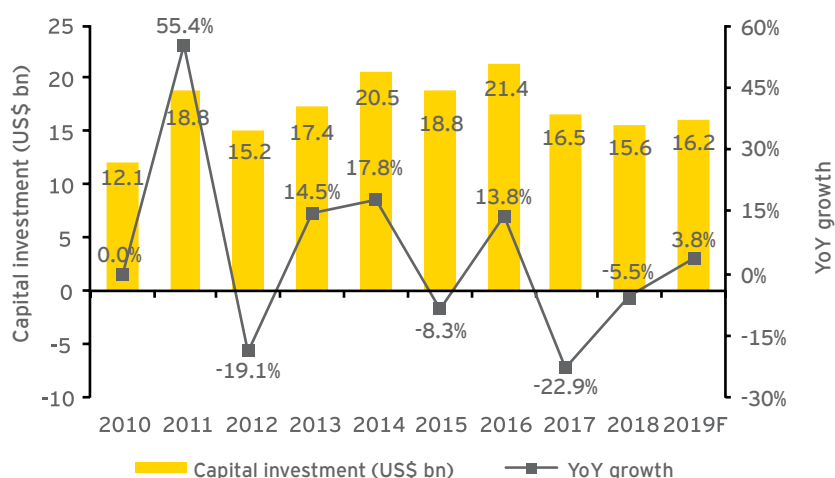
Turkey Tourism Market: Overview

Tourism industry - Direct contribution to GDP (constant US\$)



- Tourism industry's direct contribution to GDP is expected to be at a ratio of 4.5% with US\$37.5 bn in 2019 according to WTTC Data Gateway.
- In 2018, while direct contribution of the industry to the GDP was 4.3%, it has produced US\$3.8 bn.

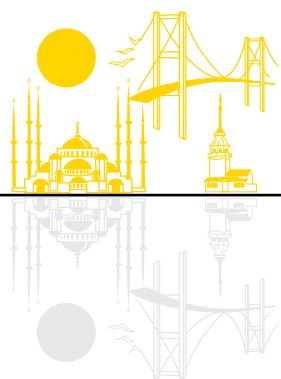
Capital investment in tourism industry



- Capital investment is expected to be at the level of US\$16.2 bn in 2019, reflecting an increase of 3.8% compared to 2018 (US\$15.6 bn).
- Capital investment includes spending by all industries directly involved in tourism as well as investments by other industries on the specific tourism assets like accommodation, passenger transport equipment, development of restaurants and leisure facilities.



Source: World Tourism Travel Council (WTTC) Data Gateway 2019



1.2

Turkey tourism market

Istanbul tourism market

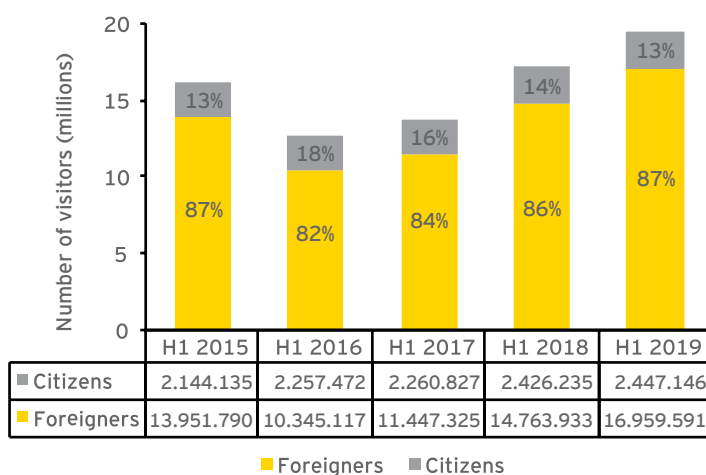
Turkey hospitality sector

Istanbul hospitality sector

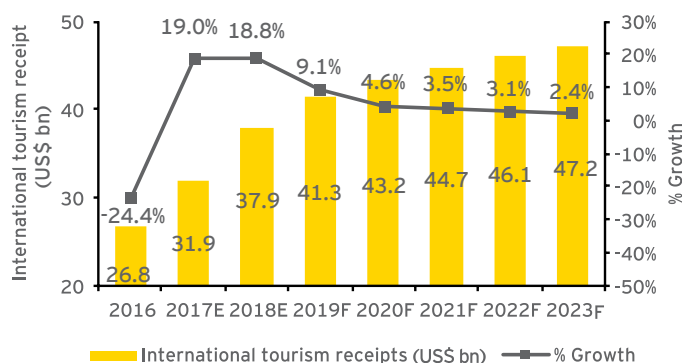
Turkey Tourism Market: International Tourists

- According to TurkStat, number of total visiting foreigners was recorded as 16.9 mn in H1 2019 as compared to 14.7 mn in H1 2018.
- The number of total visiting citizens residing abroad remained almost the same in H1 2019 as 2.4 mn in comparison to H1 2018.
- Even though Fitch Solutions has estimated the total arrivals in 2018 full year as 39.5 mn, it was realized as 45.6 mn according to TurkStat data.
- Total visitor number have increased by 18.1% from 2017 to 2018 according to TurkStat data.
- Fitch Solutions predicts total arrivals to grow by 9.9% in 2019. After 2020, the tourist arrivals is expected to grow between 4.8% - 6.1% until 2023.
- Fitch Solutions expects to see an increase in tourism receipts by 9.1% Y-o-Y in 2019.

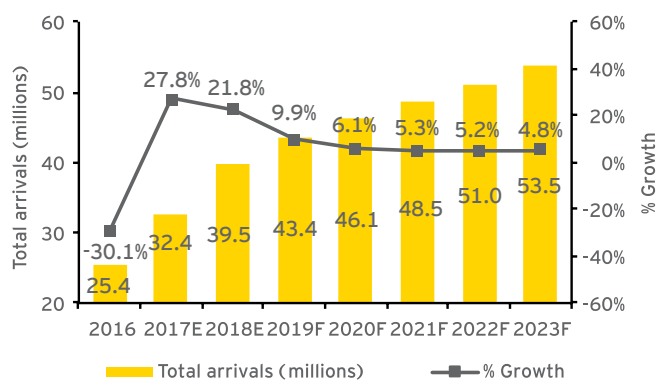
Turkey tourism - Total visitors (5 years trend)



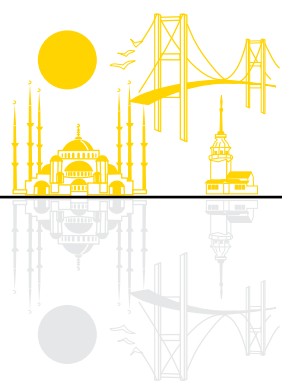
International tourism receipts (Fitch Solutions)



Total arrivals (in millions) (Fitch Solutions)



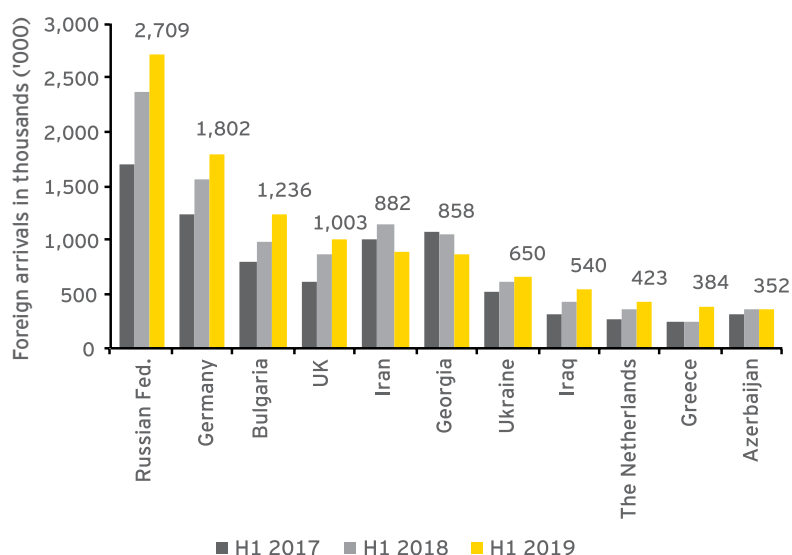
Source: Turkish Statistical Institute (Turkstat) Data; Fitch Solutions Turkey Tourism Report Q3 2019;
UNWTO International Tourism Highlights 2019 Edition



1.3

Turkey Tourism Market: Current Scenario

**Top ten arrivals by country of origin
(H1 2017 - H1 2019)**



- ▶ Russia showed an increase of 13.9% with 2.7 mn visitors and continues to be the leader in the list after the improvement of political relations between Turkey and Russian Federation.
- ▶ Germany is on the second place in the list with 1.8 mn people, showing a 15.5% increase compared to the same period of the previous year. Bulgaria and The United Kingdom follows Germany with 1.2 mn and 1 mn visitors, respectively.
- ▶ Among the top 10 countries, visitor numbers from Iran and Georgia decreased by 23% and 18%, respectively in H1 2019 in comparison to H1 2018.

2019 - Tourism recovery underway; boost in government investment raises hope

- ▶ Turkey tourism industry continues to record healthy growth, recovering well from the decline over 2015 and 2016 as relations with Russia improve and visitors from a range of European markets regain confidence in the safety and security of Turkey as a holiday destination.
- ▶ According to Fitch Solutions, government's incentives are expected to provide a fillip to the economy and the sector.
- ▶ Surge in investment in transport infrastructure, additional domestic flight routes and major hotel investments are key initiatives for the boost in tourism sector.
- ▶ Turkey's new Istanbul Airport's first phase officially opened in April 2019, which is expected to handle 90 mn passengers by 2020. The old airport of Istanbul namely Ataturk Airport handled 68.3 mn passengers in 2018, while the Sabiha Gökçen Airport received 34.1 mn passengers in 2018.
- ▶ The new Istanbul Airport's phase 2 is expected to open in 2022 while phase 3 and phase 4 are expected to open in 2025 and 2027, respectively. The new airport plans to welcome 200 mn passengers by the end of 2027 with the completion of all four phases.
- ▶ In addition, government has been promoting cruise tourism through cash incentives to the ships visiting ports in Turkey starting from January 2018.
- ▶ Galataport Project will include the new cruise terminal in Istanbul which will provide a modern port facility among other supporting facilities like the first ever Peninsula Hotel in Turkey, an upscale shopping center and a fine F&B destination.



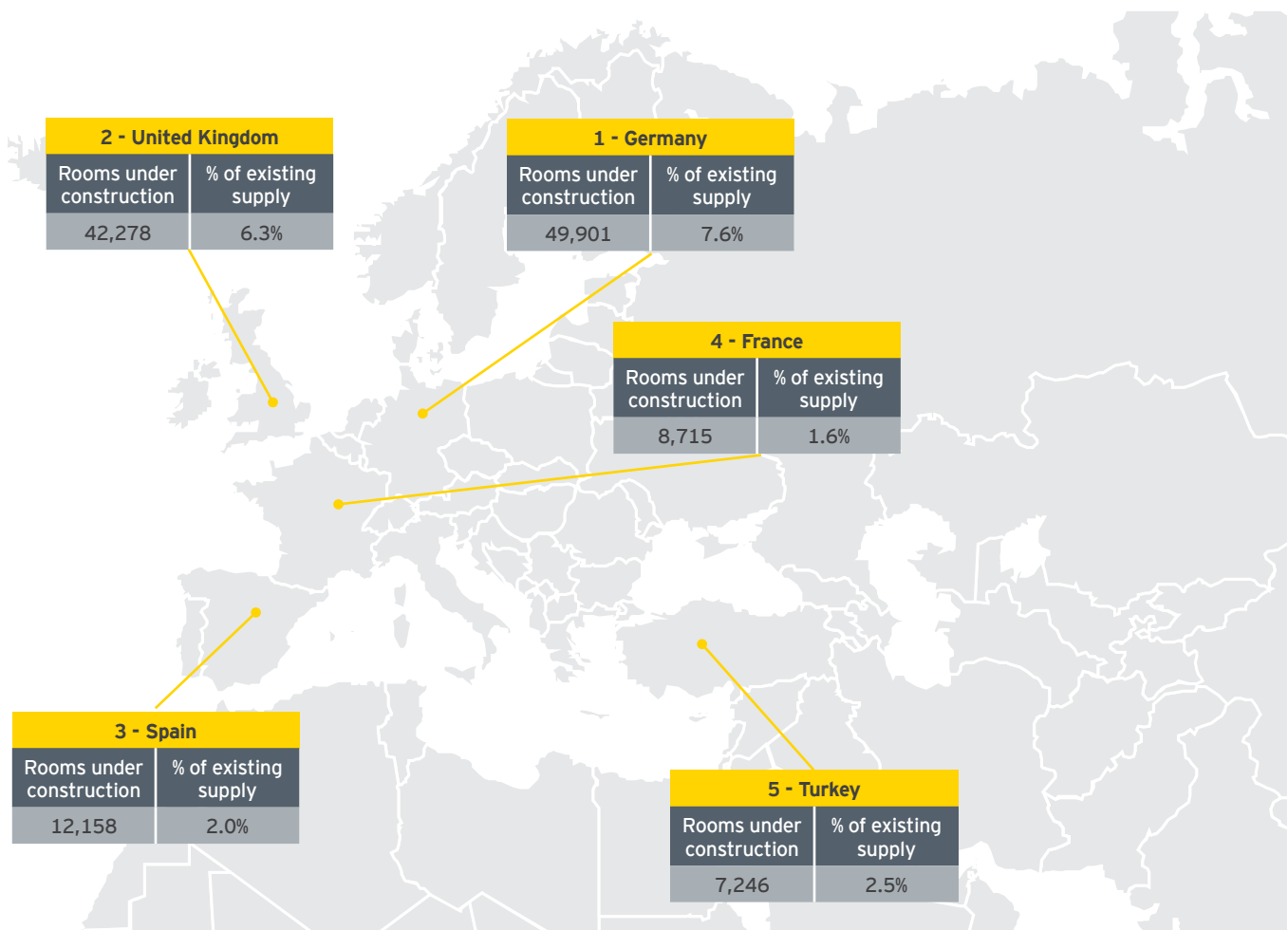
Source: Fitch Solutions Turkey Tourism Report Q3 2019; Republic of Turkey Ministry of Culture and Tourism June 2019; New Istanbul Airport Economical Effect Report June 2016

1.4

Turkey Tourism Market: Hotel Supply Development

- ▶ According to STR April 2019 data prepared for European countries, top 5 selected markets by rooms under construction includes Germany, The United Kingdom, Spain, France, and Turkey respectively.
- ▶ Germany heads the list with 49,901 rooms under construction which is the 7.6% of total existing supply.
- ▶ Turkey is in the list as the 5th place, with 7,246 rooms under construction, which is 2.5% of total existing supply.

Top 5 Countries based on the number of "Rooms under construction"



Source: STR, April 2019



1.5

Turkey Tourism Market: Opportunities & Challenges

Opportunities

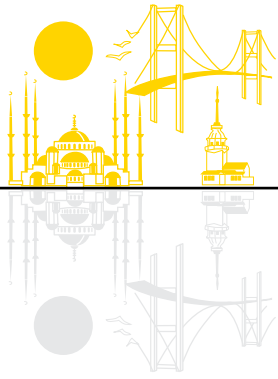
- ▶ A range of markets are catered within the tourism sector of Turkey: From budget hotels to high-end and luxury resorts are available in a number of holiday destinations, including sun & sea regions, cultural/historical sites, towns with ancient ruins and natural wonders as well as cities, especially Istanbul with wide shopping opportunities.
- ▶ Turkish government has invested in marketing campaigns and tourism to reassure the country's safety as a travel destination.
- ▶ Opening of new Istanbul Airport will make Turkey a highly accessible location and will support the growth of the tourism industry.
- ▶ Development of health tourism, attracting visitors from both Europe and the Middle East.
- ▶ Government provides various incentives in order to support the industry against difficult headwinds.
- ▶ There is an opportunity for Turkey to establish itself as a suitable holiday destination for every season.
- ▶ Despite uncertainty in previous years, most major international hotel groups have not made significant changes to their growth strategies in Turkey.
- ▶ Besides that many of the top global hotel chains already have a strong presence in the country and numerous popular brands are presented, there is an extensive real estate availability providing further development opportunity.

Challenges

- ▶ It is difficult for Turkey to stand out in a crowded and competitive tourism market in Southern/Mediterranean Europe region.
- ▶ Publicly open discussions between political leaders of Turkey, some European countries and USA may affect the travel habits.
- ▶ Possible risks stemming from both persistent domestic and regional instability might discourage people to consider Turkey as a travel destination.
- ▶ Foreign Direct Investment remains fragile due to uncertainty and potential risk of an economic recession.
- ▶ The ban of travel website booking.com to local users have caused a severe impact on the hospitality sector.
- ▶ The tourism market is susceptible to seasonality, and more could be done to promote tourism outside of the summer season.
- ▶ Introduction of new taxes and fees, which are specific to tourism industry (i.e, tourism share contribution to Tourism Promotion and Development Agency of Turkey) may increase the costs and as a result may impact the competitiveness.



Source: Fitch Solutions Turkey Tourism Report Q3 2019; EY Analysis 2019



1.6

Turkey tourism market

Istanbul tourism market

Turkey hospitality sector

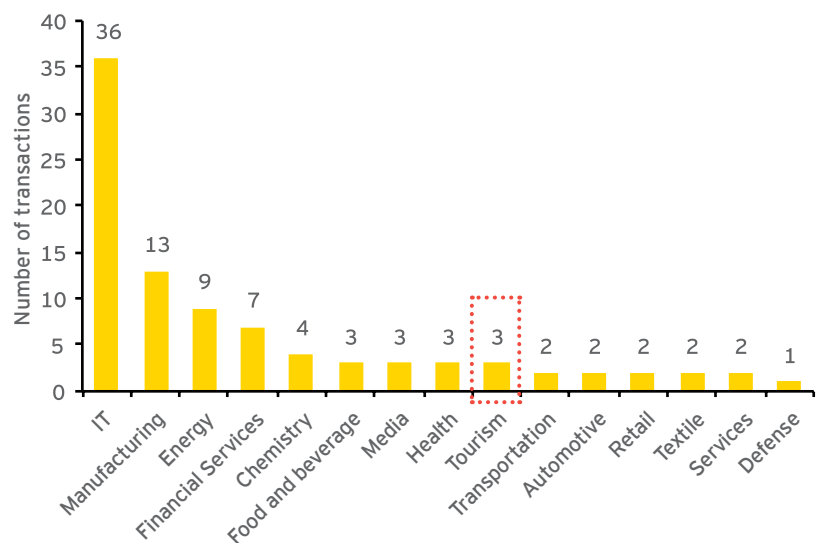
Istanbul hospitality sector

Turkey Tourism Market: M&A Sectoral Breakdown

H1 2019 Sectoral breakdown of target companies (in terms of transaction volume)

Key highlights

- ▶ The leading sectors in terms of transaction volume are 'IT, manufacturing, and energy' with 36, 13 and 9 transactions in H1 2019, respectively.
- ▶ The transaction value data are not publicly available for sectors such as media, tourism, transportation, retail, textile, services and defense.
- ▶ Although the transaction value is not publicly released for the "Tourism" sector, it is officially known that there have been 3 transactions in the first half of 2019. Details of this transactions can be found on section 3.3 of this report.
- ▶ The subject transactions were realized in Marmaris, Istanbul and Antalya.
- ▶ Two of them were acquired by TUI Group (a Germany-based Tourism Company) and one of them by Nusret Turizm.



A vibrant street scene in Istanbul. In the foreground, a wide set of concrete stairs leads up a hill. Several people are walking on the stairs. To the left, a row of historic buildings with ornate facades and wooden balconies lines the street. To the right, a tall, slender brick chimney rises into the sky. The sky is blue with some clouds. A large yellow number '2' is overlaid on the left side of the image.

2

Istanbul Tourism Market

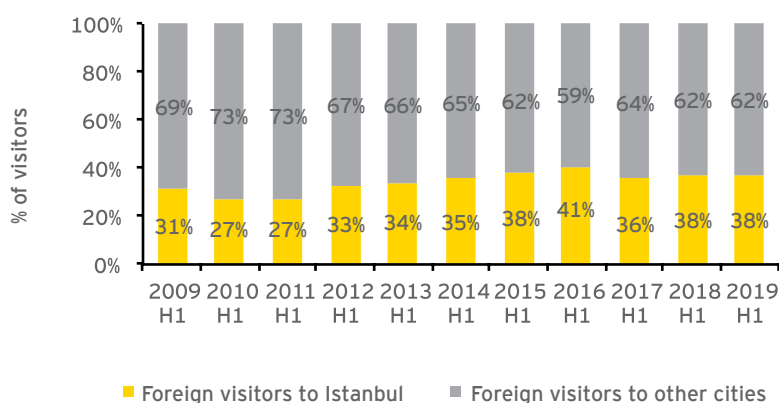


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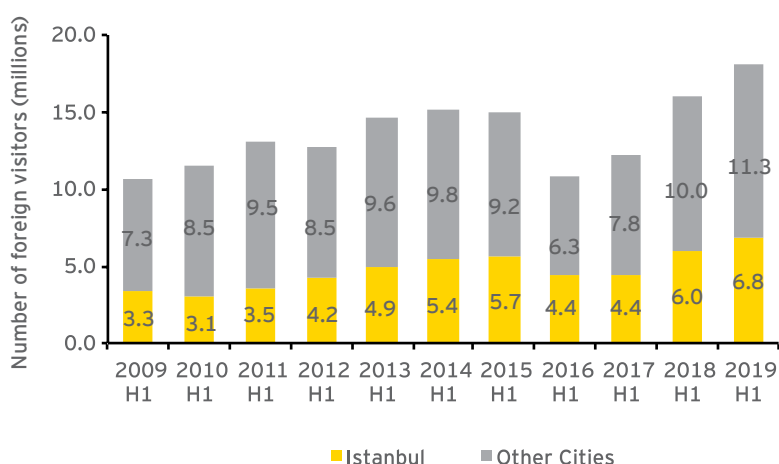
Istanbul Tourism Market: Overview

- ▶ Apart from being the cultural, historical and commercial pulse of Turkey, Istanbul is one of the top shopping destinations for tourists from Middle East as well as other emerging market countries.
- ▶ As of the first half of 2019, 38% of the foreign tourists visiting Turkey chose Istanbul as their holiday destination, which demonstrates the importance of Istanbul in Turkey's tourism sector.
- ▶ Istanbul Culture and Tourism Directorate announced that the city welcomed more than 6.8 mn foreign tourists in H1 2019 with an increase of 13.3% in comparison to the same period of 2018 (6 mn).
- ▶ Similarly, the number of foreign tourists visiting Turkey has also increased by 13.1% to 18.1 mn for the same period according to Ministry of Culture and Tourism.

**% of Int'l arrivals to Istanbul & other cities of Turkey
(H1 2009 - H1 2019)**



**# of foreign visitors to Istanbul and other cities of Turkey
(H1 2009 - H1 2019)**

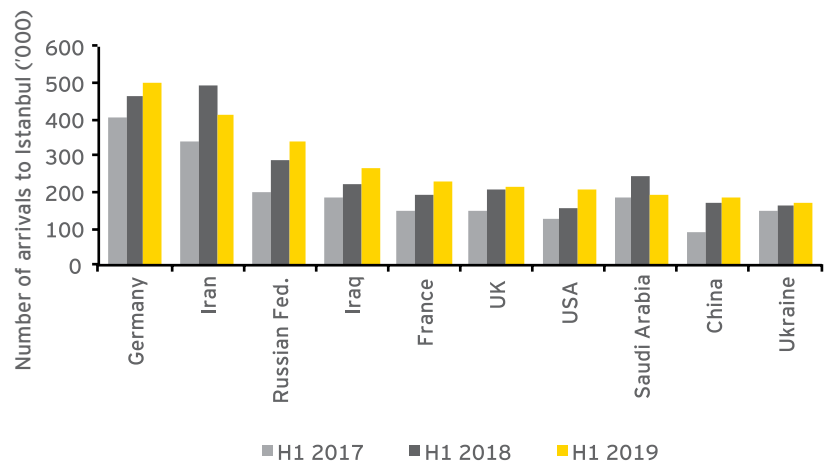




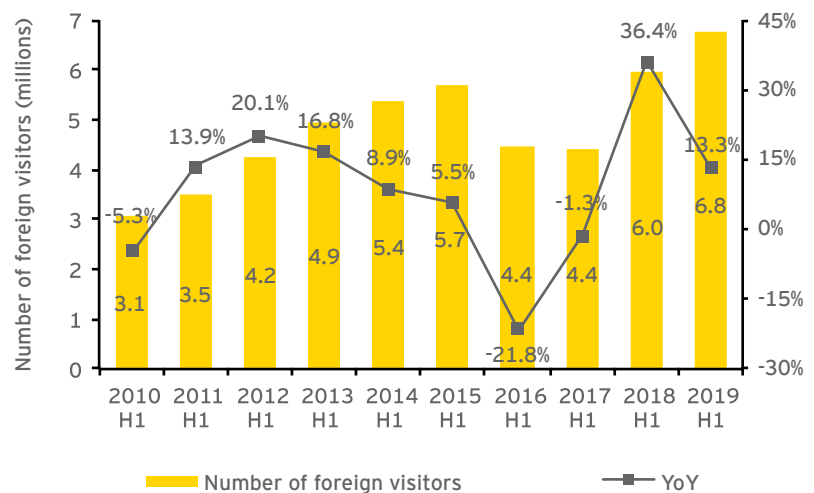
Istanbul Tourism Market: International Tourists

- ▶ The highest number of foreign visitors to Istanbul came from Germany (7.4% of the total visitors) in H1 2019. It was followed by Iran (6.2%) and Russian Federation (5.1%) during the first half of 2019.
- ▶ Highest increase in terms of visitor number is observed among American visitors at a rate of 31.3% Y-o-Y between H1 2018 and H1 2019. Number of American visitors increased from 159,706 in H1 2018 to 209,756 in H1 2019.
- ▶ Iraq is in the second place after The United States in terms of highest rate change of arrival, with an increase of 22.5% Y-o-Y for 2019 H1.
- ▶ The number of visitors have decreased for Iran and Saudi Arabia by 16.1% and 20.7%, respectively.
- ▶ The foreign visitor number has increased by 13.3% in H1 2019 in comparison to H1 2018.

**Top 10 arrivals by country of origin to Istanbul
(H1 2017 - H1 2019)**



**Number of foreign visitors to Istanbul
(H1 2010 - H1 2019)**

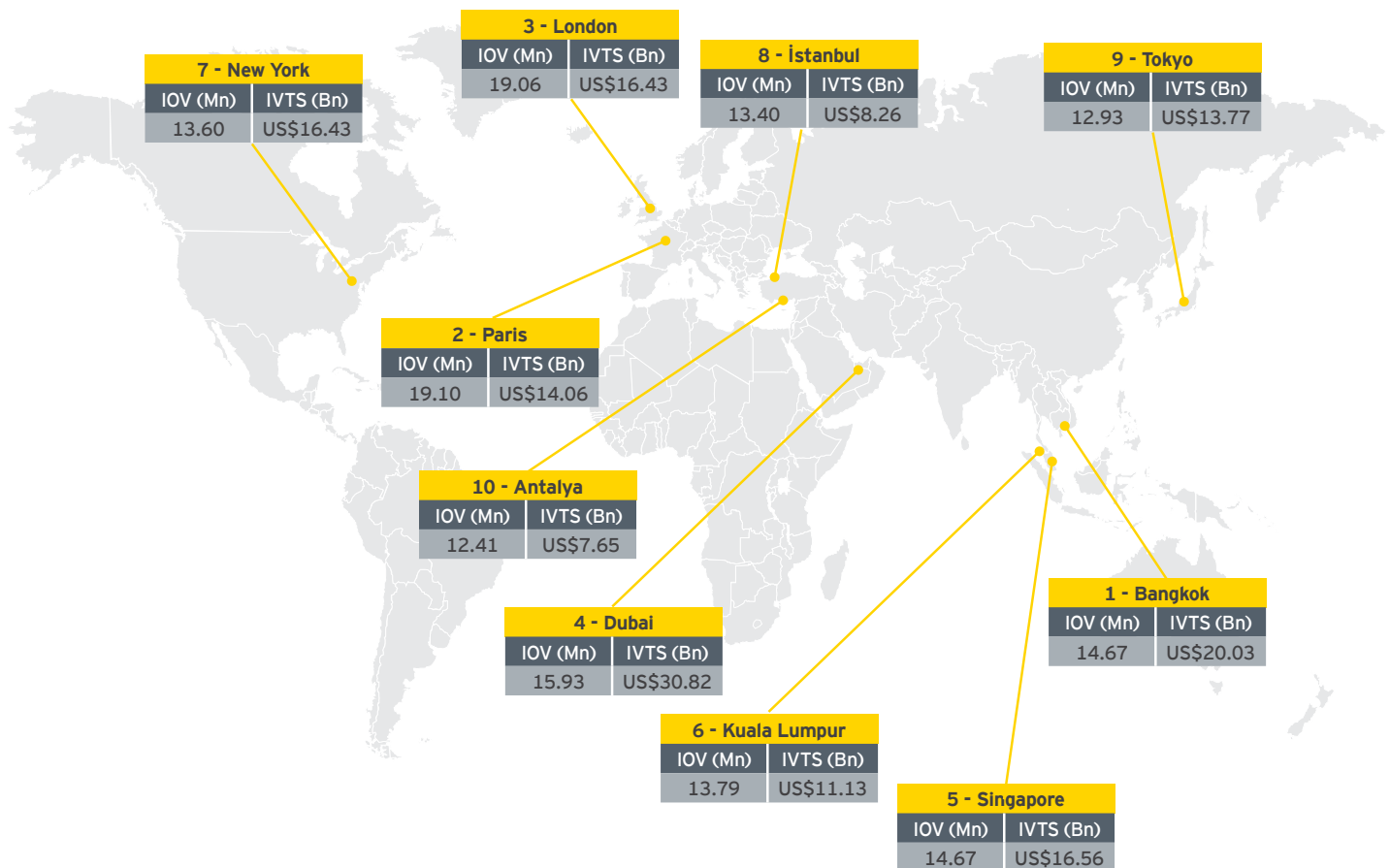


Source: Republic of Turkey Ministry of Culture and Tourism, Border Statistics June 2019;
Istanbul Provincial Directorate of Culture and Tourism, Istanbul Tourism Statistics, June 2019

2.3

Istanbul Tourism Market: International Overnight Visitors

Top 10 cities based on the number of "International overnight visitors" (# of foreign visitors in 2018)



- ▶ According to Mastercard Global Destination Cities 2019 data, top 10 cities by international overnight visitors ("IOV") includes Bangkok, Paris, London, Dubai, Singapore, Kuala Lumpur, New York, Istanbul, Tokyo and Antalya respectively in 2018.
- ▶ Bangkok heads the list with 22.78 mn visitors while Istanbul is 8th with 13.40 mn visitors.
- ▶ Dubai has the highest International Visitor Total Spend ("IVTS") with US\$30.82 bn, while Istanbul is the 15th with US\$8.26 bn.



Istanbul Tourism Market: Opportunities & Challenges

Opportunities

- ▶ Promising upward trend in the number of Middle Eastern tourists visiting Istanbul after the removal of visa requirements for Middle Eastern countries in 2010.
- ▶ Development of health tourism, attracting visitors from both Europe and the Middle East.
- ▶ New attractions such as theme parks and extensive shopping opportunities make Istanbul a preferred destination for both domestic and international tourists.
- ▶ Istanbul's tourism office is placing a strong focus on cultural tourism with emphasis on historical sites, which is becoming one of the key attractions for visitors.
- ▶ The New Istanbul Airport opened in April 2019 and is expected to have a 90 million people capacity with its first phase by 2020, allowing it to be a major destination for international travel.
- ▶ The new port (Galataport) is expected to increase cruise tourism.
- ▶ Increasing domestic travel habits and the number of integrated new subway lines, such as the new Kartal-Halkali line, are expected to boost tourism in Istanbul.

Challenges

- ▶ International, regional and local political and social issues that may affect the tourism industry.
- ▶ Possible risks stemming from both persistent domestic and regional instability might discourage people to consider Istanbul as a travel destination.
- ▶ Usual megapolis issues such as traffic jam, air pollution, dense urbanization and alike.
- ▶ Competition of new Istanbul Airport with international hubs such as Frankfurt Airport.
- ▶ Competition of MICE tourism with European cities such as Paris, Vienna, Madrid and Barcelona.



Source: Fitch Solutions Turkey Tourism Report Q3 2019; EY Analysis 2019



An aerial photograph of a small, forested island in the middle of a body of water. The island is covered in dense green trees. The water is a clear, vibrant turquoise color. A small boat is visible on the water, leaving a white wake. The sky is not visible, as the image is focused on the island and water.

3

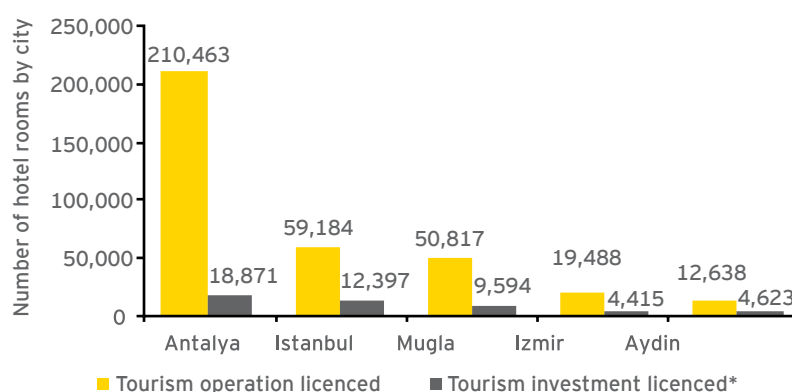
Turkey Hospitality Sector

3.1

Turkey Hospitality Sector: Overview

- According to the data released by Republic of Turkey Ministry of Culture and Tourism, in terms of tourism operation licensed room numbers by city in Turkey, Antalya is the leader with 210,463 rooms, followed by İstanbul and Muğla with 59,184 and 50,817 rooms as of H1 2019, respectively. Total room number in Turkey was given as 467,498 by Republic of Turkey Ministry of Culture and Tourism.
- According to Fitch Solutions Turkey Tourism Q3 2019 Report, total hotel rooms in Turkey are stated as 168,970. The content of the room number was not explained in the report.
- According to Fitch Solutions Turkey Tourism Q3 2019 Report, an increase in the number of hotels and accommodation establishments is expected in near future.
- Average length of stay by tourists were realized as 3,7 nights in 2017 and 3,8 nights in 2018. It's expected to be between 3,9 nights and 4,1 nights per visitor from 2019 to 2023.
- According to Fitch Solutions Q3 2019 forecast, occupancy rate is expected to increase for the period of 2019 - 2023 as well as hotel room number and total overnight stays.

of hotel rooms by city in Turkey (H1 2019) - Top 5

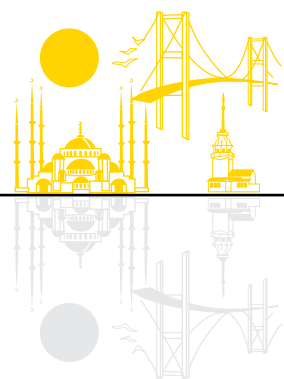


* Pipeline development or under construction projects

Turkey's hotel data (2016 - 2023) (Fitch Solutions)

	2016	2017E	2018E	2019F	2020F	2021F	2022F	2023F
Number of hotels and establishments, '000	5.64	5.65	5.66	5.68	5.70	5.72	5.74	5.77
Total overnight stays, '000	65,793	68,921	95,109	107,947	110,117	120,263	125,163	130,514
Average length of stay, nights	4.6	3.7	3.8	3.9	3.9	4.0	4.1	4.0
Hotel rooms, '000	165.14	165.09	166.34	168.97	169.42	170.73	171.79	172.42
Occupancy rate, %	51.0	52.3	53.0	53.7	54.4	55.2	55.6	55.9

Source: Republic of Turkey Ministry of Culture and Tourism;
Fitch Solutions Turkey Tourism Report Q3 2019; EY Analysis 2019



3.2

Turkey Hospitality Sector: Major Players

- ▶ Turkey's hotel industry is in the midst of a significant development boom, with many major management companies looking to expand their presence within the country.
- ▶ According to Fitch Solutions, while regional insecurity is a concern, international hotel groups have identified the long-term potential of Turkey, and have continued to push through investments in the country.
- ▶ The tourism sector is set to benefit from substantial investment in supporting transport infrastructure like Istanbul New Airport and Galataport Project, which will provide a modern port facility with extended capacity for cruise ships.
- ▶ Galataport will host first ever Peninsula Hotel in Turkey, which will enhance the collection of luxury hotel brands in Istanbul.

Top global hotel groups operating in Turkey

Global hotel group	Presence in Turkey	Hotel brands present in Turkey
Accor Hotels	Operates 49 hotels across Turkey, including 23 hotels in Istanbul. 12 of them are under Ibis brand and 10 are under Mercure brand.	Ibis, Mercure, Novotel, Swissotel, Fairmont, Raffles, Rixos, Mgallery, Mövenpick, Pullman
Best Western	Operates 12 hotels in Turkey, 3 of which are located in Istanbul.	Best Western, Best Western Plus, Best Western Premier, ViB Best Western
Radisson Hotel Group	Operates 25 properties across Turkey, including 15 in Istanbul.	Radisson Blu, Park Inn by Radisson, Radisson
Hilton	Operates around 66 hotels in Turkey, including 22 in Istanbul and 5 in Izmir. In addition to these operational hotels, Hilton Group is also planning to start operations of a new hotel in Istanbul at Q4, 2019	Conrad, Doubletree by Hilton, Hilton Hotels & Resorts, Garden Inn, Hampton
Hyatt	Operates 8 hotels in Turkey, catering to the luxury travel market.	Grand Hyatt, Park Hyatt, Hyatt Regency, Hyatt Centric, D-Resort Göcek, Ariana Sustainable Luxury Lodge
InterContinental Hotels Group	Operates 25 hotels in Turkey across its Crowne Plaza, Holiday Inn, Holiday Inn Express and Intercontinental brands. Crowne Plaza Cappadocia has been opened in 2018.	Crowne Plaza, Holiday Inn, Holiday Inn Express, InterContinental
Marriott & Starwood	Marriot group merged with Starwood in 2016, adding 20 hotels to its portfolio, operating a total of 30 hotels 17 of which in Istanbul, 3 in Ankara, 4 in Izmir and remaining hotels are located in various cities.	JW Marriott, Marriott, Renaissance Hotels, Ritz-Carlton, AC Hotel by Marriot, The Luxury Collection, Edition, Autograph Collection, Courtyard by Marriott, Design Hotels, Le Meridien, Aloft, Sheraton, St Regis, Four Points by Sheraton, W Hotels,
Wyndham	Operates 78 hotels across Turkey across a range of brands including 23 in Istanbul. The group expanded by 17 hotels in 2014.	Ramada, Wyndham, Wyndham Grand, Hawthorn Suites, TRYP



Source: Fitch Solutions Turkey Tourism Report Q3 2019; EY Analysis 2019

3.3

Turkey Hospitality Sector: M&A Deals - Since 2011

Announced date	Target	HQ/Location	Acquirer	Deal value (US\$ mn)	Stake (%)	EV (US\$ mn)	EV/ Revenue (x)	EV/ EBITDA (x)	EV/ EBIT (x)
May 2019	Papirüs Otelcilik	Antalya, Turkey	TUI Group	n/a	100.0	n/a	n/a	n/a	n/a
Mar 2019	Park Hyatt	İstanbul, Turkey	Nusret Turizm	n/a	100.0	n/a	n/a	n/a	n/a
Feb 2019	D-Resort Grand Azur	Marmaris, Turkey	TUI Group	n/a	100.0	n/a	n/a	n/a	n/a
Sep 2018	Magic Life and other 9 hotels	Turkey	MP Hotel Management	n/a	n/a	n/a	n/a	n/a	n/a
Aug 2018	Kervansaray Bodrum	Bodrum, Turkey	Şaban Kayıkçı (Private Investor)	n/a	100.0	n/a	n/a	n/a	n/a
Aug 2018	İmbat Hotel Kuşadası	İzmir, Turkey	Orjin Group	n/a	n/a	n/a	n/a	n/a	n/a
Jul 2018	Foça Holiday Village	İzmir, Turkey	Arda Engineering	9.2	n/a	n/a	n/a	n/a	n/a
Feb 2018	Antalya Airport	İstanbul, Turkey	TAV Havalimanları Holding	443.6	49.0	n/a	n/a	n/a	n/a
Dec 2017	The Bodrum by Paramount Hotel	Muğla, Turkey	Turan Avcı (Private Investor)	80.0	100.0	n/a	n/a	n/a	n/a
Nov 2017	Gündem Otel	Muğla, Turkey	Deniz GYO	7.6	100.0	n/a	n/a	n/a	n/a
Oct 2016	Renaissance İzmir Hotel	İzmir, Turkey	Strategic Internet Investments	47.4	50.0	94.8	n/a	n/a	n/a
Nov 2015	Mardan Palace Hotel	Antalya, Turkey	Halkbank	127.8	100.0	127.0	n/a	n/a	n/a
Nov 2015	Dedeman Kapadokya Hotel	İstanbul, Turkey	Dorak Holding	n/a	100.0	n/a	n/a	n/a	n/a
Jun 2015	Surmeli Efes Hotel	İstanbul, Ankara & Adana, Turkey	Peninsula Group	n/a	n/a	n/a	n/a	n/a	n/a
Feb 2015	Kontes Beach Hotel	Marmaris, Turkey	Nasser Ahmed Ali A. Al Thani (Private Investor)	7.9	100.0	7.9	n/a	n/a	n/a
Feb 2015	Royal Palace Hotel	Aydın, Turkey	Ahmet Yılmaz and Ahmet Candan (Private investors)	6.0	100.0	6.0	n/a	n/a	n/a

Source: Merger Market; Capital IQ; EY M&A Reports, 2011 - 2019



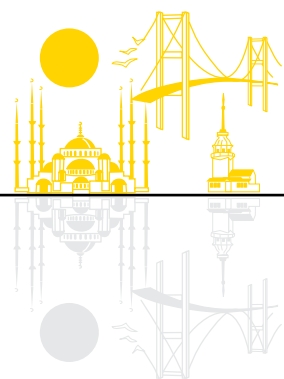
3.3 (Contd.)

Turkey Hospitality Sector: M&A Deals - Since 2011

Announced date	Target	HQ/Location	Acquirer	Deal value (US\$ mn)	Stake (%)	EV (US\$ mn)	EV/ Revenue (x)	EV/ EBITDA (x)	EV/ EBIT (x)
Feb 2015	Marina Vista Hotel Bodrum	Bodrum, Turkey	Milta Turizm İşletmeleri	19.2	100.0	19.2	n/a	n/a	n/a
Nov 2014	Karina Hotel	Bursa, Turkey	Harput Holding	18.0	100.0	18.0	n/a	n/a	n/a
Nov 2014	Istanbul Sabiha Gokcen Intern. Airport Invest. Dev; LGM Havalimani İşletmeleri Ticaret	Istanbul, Turkey	Malaysia Airports Holdings Berhad	348.0	40.0 40.0	870.6	n/a	n/a	n/a
Nov 2014	Istanbul Sabiha Gokcen Intern. Airport; LGM Havalimani İşletmeleri Ticaret; Istanbul Sabiha Gokcen Uluslararası	Istanbul, Turkey	TAV Havalimanlari Holding	369.0	40.0 40.0 19.6	n/a	n/a	n/a	n/a
Oct 2014	Aktay Turizm Yatirimlari ve İşletmeleri AS	Istanbul, Turkey	Ozak Gayrimenkul Yatirim Ortakligi AS	2.9	3.4	87.2	n/a	n/a	n/a
Apr 2014	Yoo2 Taksim Hotel	Istanbul, Turkey	Lucis Global	n/a	100.0	n/a	n/a	n/a	n/a
Mar 2014	Dedeman Ankara Hotel	Ankara, Turkey	Latanya City Hotel	n/a	100.0	n/a	n/a	n/a	n/a
Feb 2014	Hotel Ephesus Princess	Aydin, Turkey	FTI Group	15.8	50.0	16.0	n/a	n/a	n/a
Feb 2014	Net Turizm San. ve Tic. AS	Istanbul, Turkey	Net Holding A.S.	52.0	32.2	222.5	12.1	9.6	10.7
Jan 2014	Aktay Turizm Yatirimlari ve İşletmeleri AS	Istanbul, Turkey	Ozak Gayrimenkul Yatirim Ortakligi AS	27.5	32.0	56.7	n/a	n/a	n/a
Dec 2013	Istanbul Sabiha Gokcen Intern. Airport Invest. Dev; LGM Havalimani İşletmeleri Ticaret	Istanbul, Turkey	Malaysia Airports Holdings Berhad	405.4	40.0 40.0	405.8	n/a	n/a	n/a
Dec 2013	LGM Havalimani İşletmeleri Ticaret ve Turizm AS	Istanbul, Turkey	Malaysia Airports Holdings Berhad	92.5	40.0	231.3	8.6	n/a	n/a
Dec, 2013	Dedeman Hotels and Resorts International	Istanbul, Turkey	Murat Dedeman	n/a	49.0	n/a	n/a	n/a	n/a
Nov 2013	Dedeman Antalya	Antalya, Turkey	Barut Hotels	80.0	100.0	80.0	n/a	n/a	n/a
Nov 2013	Net Turizm San. ve Tic. AS	Istanbul, Turkey	Net Holding A.S.	129.0	42.9	218.3	9.5	n/a	n/a



Source: Merger Market; Capital IQ; EY M&A Reports, 2011 - 2019



3.3 (Contd.)

Turkey Hospitality Sector: M&A Deals - Since 2011

Announced date	Target	HQ/Location	Acquirer	Deal value (US\$ mn)	Stake (%)	EV (US\$ mn)	EV/ Revenue (x)	EV/ EBITDA (x)	EV/ EBIT (x)
Nov 2013	Dedeman Antalya	Antalya, Turkey	Barut Hotels	80.0	100.0	80.0	n/a	n/a	n/a
Nov 2013	Net Turizm San. ve Tic. AS	Istanbul, Turkey	Net Holding A.S.	129.0	42.9	218.3	9.5	n/a	n/a
Nov 2013	Yenipark Turizm Sanayi Ticaret AS	Ankara, Turkey	BERA Turizm Seyahat Insaat Tic. AS	n/a	100.0	n/a	n/a	n/a	n/a
Aug 2013	Yeditepe Beynelmillel Otelcilik Turizm ve Insaat	Istanbul, Turkey	Aksoy Holding AS	41.1	26.0	158.1	n/a	n/a	n/a
Jul 2013	Club Magic Life Kemer Imperial Hotel & Seven Seas Hotel Manavgat	Aksaray & Antalya, Turkey	Otium Otelcilik Turizm Tic. AS	71.1	100.0	71.1	n/a	n/a	n/a
Jul 2013	Best Western Plus Khan Hotel	Antalya, Turkey	Guncem Turizm	8.3	100.0	8.3	n/a	n/a	n/a
Jul 2013	Net Turizm San. ve Tic. AS	Istanbul, Turkey	Net Holding AS	111.9	47.5	n/a	8.8	n/a	n/a
May 2013	Maca Kizi Hotel	Bodrum, Turkey	Dogus Turizm Saglik Yatirimlari ve Isletmeciligi San. ve Tic. A.S.	n/a	n/a	n/a	n/a	n/a	n/a
Apr 2013	Kemer Resort Hotel	Antalya, Turkey	Barut Hotels	57.0	100.0	57.0	n/a	n/a	n/a
Dec 2011	Swissotel Gocek Marina & Resort	Mugla, Turkey	Dogus Holding AS	n/a	100.0	n/a	n/a	n/a	n/a
Sep 2011	Suntopia	Sarigerme, Turkey	First Choice (Turkey) Limited	40.1	51.0	78.7	n/a	n/a	n/a
Feb 2011	Kartanesi Hotel	Bursa, Turkey	Akdeniz Insaat ve Egitim Hizmetleri AS	42.0	100.0	42.0	n/a	n/a	n/a
Jan 2011	Carian Bay Spa & Beach Residences	Bodrum, Turkey	EIIB Invest Co SPC	3.9	n/a	n/a	n/a	n/a	n/a



Source: Merger Market; Capital IQ; EY M&A Reports, 2011 - 2019



4

Istanbul Hospitality Sector

4.1

Istanbul Hospitality Sector: Overview

Key characteristics of hotel industry in 4 major cities

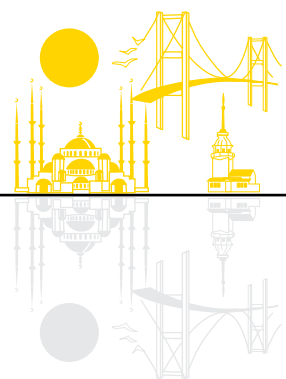
	Jun 2019 (US\$)			Jun 2018 (US\$)			Change (%)		
	Occupancy rate	A.D.R	RevPAR	Occupancy rate	A.D.R	RevPAR	Occupancy rate	A.D.R	RevPAR
Total Europe	79.90%	144.31	115.32	79.00%	142.70	112.72	1.1%	1.1%	2.3%
Frankfurt Center	72.40%	118.56	85.86	80.40%	154.41	124.13	-10.0%	-23.2%	-30.8%
Barcelona	90.40%	205.42	185.62	86.20%	185.03	159.54	4.9%	11.0%	16.3%
Moscow	82.80%	91.85	76.01	84.40%	265.04	223.76	-1.9%	-65.3%	-66.0%
Istanbul	73.50%	110.40	81.15	57.10%	101.91	58.21	28.7%	8.3%	39.4%

	Year to Date June 2019 (US\$)			Year to Date June 2018 (US\$)			Change (%)		
	Occupancy rate	A.D.R	RevPAR	Occupancy rate	A.D.R	RevPAR	Occupancy rate	A.D.R	RevPAR
Total Europe	69.70%	124.73	86.99	69.60%	129.72	90.24	0.1%	-3.8%	-3.6%
Frankfurt Center	69.00%	138.97	95.95	70.20%	153.62	107.85	-1.7%	-9.5%	11.0%
Barcelona	77.20%	166.98	128.84	72.90%	166.79	121.59	5.9%	0.1%	6.0%
Moscow	70.90%	86.31	61.23	70.20%	126.04	88.51	1.0%	-31.5%	-30.8%
Istanbul	69.70%	94.63	65.94	67.20%	93.41	62.76	3.7%	1.3%	5.1%

Year to date comparison

- ▶ Based on YTD (Year to Date) June 2019 data, ADRs and RevPARs decreased in Total Europe in comparison with June 2018, while the same KPI's increased in Istanbul.
- ▶ Occupancy rate of Istanbul for YTD ("Year to Date") June 2019 period is almost the same with the European average, while ADR ("Average Daily Rate") and RevPAR ("Revenue per Available Room") are below.
- ▶ According to the YTD data, Istanbul's ADR increased to US\$94.63 by June 2019, while it was US\$93.41 in previous year and the occupancy rate increased to 69.70% by June 2019, while it was 67.20% in previous year.
- ▶ RevPAR at hotels in Frankfurt has decreased by 11%, while Istanbul witnessed an increase of 5.1% in YTD June 2019 period as compared to YTD June 2018.
- ▶ A significant decrease by 30.8% was observed in the RevPAR of Moscow in June 2019 compared to June 2018.
- ▶ According to an article released by RT News Platform dated June 9, 2019 a significant boost was observed in ADR and RevPAR of Moscow in 2018, mainly due to the World Cup 2018 which took place in Russia during Summer 2018.

Source: STR European Hotel Review June 2019 Report



4.1 (Contd.)

Istanbul Hospitality Sector: Overview

Monthly (June 2018 – June 2019) comparison

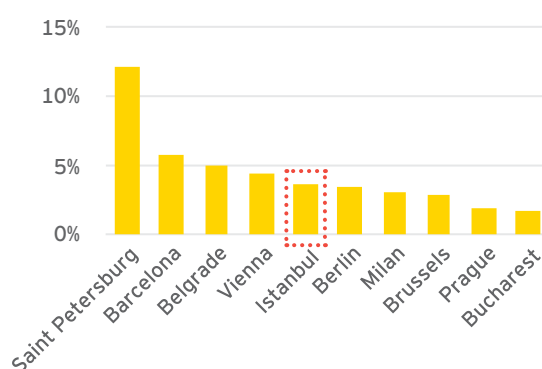
- ▶ RevPAR for Istanbul have increased by 39.4% in Jun 2019 and reached to US\$81.15, as a result of increase in the occupancy rate by 28.7% for Jun 2019 compared to the previous year.
- ▶ Also an increase was observed in Istanbul's ADR, which was US\$110.40 in Jun 2019 compared to the same period of 2018 which was US\$101.91.
- ▶ Istanbul's ADR and RevPAR are recorded above that of Moscow's in June 2019, whereas occupancy rate is below Moscow's.

Key characteristics of hotel industry in top 10 markets

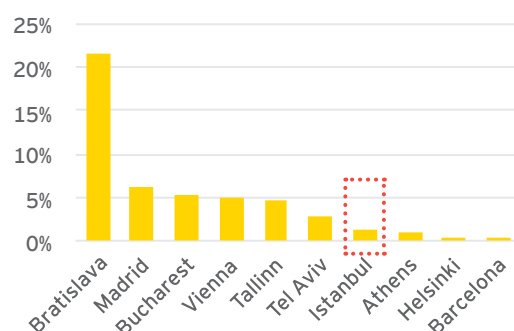
Monthly (June 2018 – June 2019) comparison

- ▶ According to STR's data showing European Cities tourism KPIs for June 2019 YTD, Saint Petersburg was noted as the 1st city which has the highest occupancy rate upward trend of 12.1%, while Istanbul was recorded as the 5th city by having a 3.7% upward trend compared to previous year.
- ▶ Bratislava heads the ADR and RevPAR change, by 21.6% and 19.8% for June 2019 YTD, respectively.
- ▶ Istanbul is the 7th city in both ADR and RevPAR change for June 2019 YTD, by 1.3% and 5.1%, respectively.

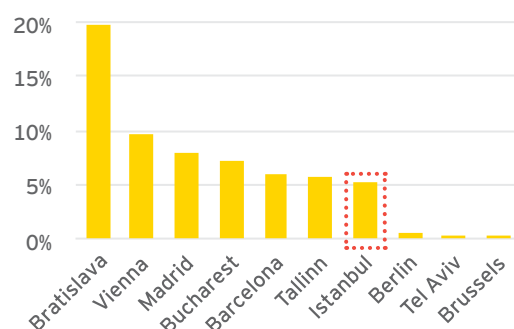
**Top 10 markets: Occupancy change
YTD June 2019 vs YTD June 2018**



**Top 10 markets: ADR change
YTD June 2019 vs YTD June 2018**



**Top 10 markets: RevPAR change
YTD June 2019 vs YTD June 2018**



Source: STR European Hotel Review June 2019 Report

4.2

Istanbul Hospitality Sector: Capacity

Number of tourism facilities on European and Asian side of Istanbul, June 2019

Category	Number of facilities		Number of rooms		Number of beds	
	European side	Asian side	European side	Asian side	European side	Asian side
5 Star Hotels	85	19	22,215	4,981	44,451	9,960
4 Star Hotels	112	16	12,912	1,839	25,846	3,659
3 Star Hotels	112	19	6,374	1,152	12,567	2,235
2 Star Hotels	42	4	1,488	123	2,865	249
1 Star Hotels	7	-	190	-	363	-
Special Category Hotels	116	12	4,320	411	10,985	819
Boutique Hotels	20	2	909	42	1,824	84
Apart Hotel	2	1	175	68	528	198
Pensions	6	2	92	27	186	54
Hostel	1	-	123	-	166	-
Thermal Tourism C.	-	3		80	-	160
Sub-total	503	78	48,798	8,723	99,781	17,418

- ▶ In terms of room number, majority of the hotels in Istanbul are located in European side, which are 5-Star Hotels with 22,215 rooms, followed by 4-Star Hotels with 12,912 rooms.
- ▶ As of June 2019, the number of accommodation facilities in European side is 503 with a total 48,798 room capacity; whereas on Asian side is 78 facilities with 8,723 room capacity.



Istanbul Hospitality Sector: Hotel Types

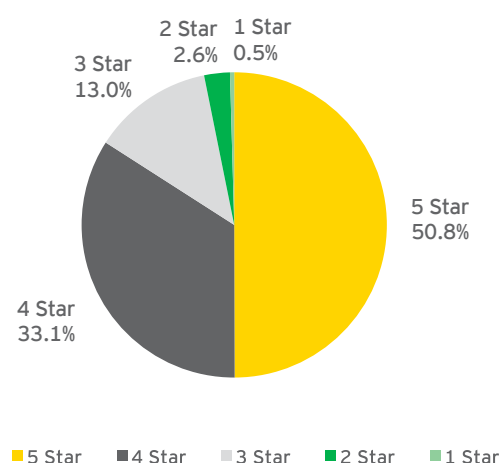
Accommodation by hotel type (2017 vs 2018)

- In terms of accommodation, 5 star hotels have the major proportion in the total nights spent both in 2017 and 2018.
- In 2018, 50.8% proportion of the nights were spent in 5 star hotels, while 33.1% in 4 star hotels and 13% in 3 star hotels.
- The average length of stay are mostly the same in all kind of hotels, between 2.1 and 2.5.
- The occupancy rates by hotel types were all increased in 2018, in comparison to 2017.
- The highest occupancy rates were observed in 4 star hotels with 65.7% in 2018 and with 59.3% in 2017.

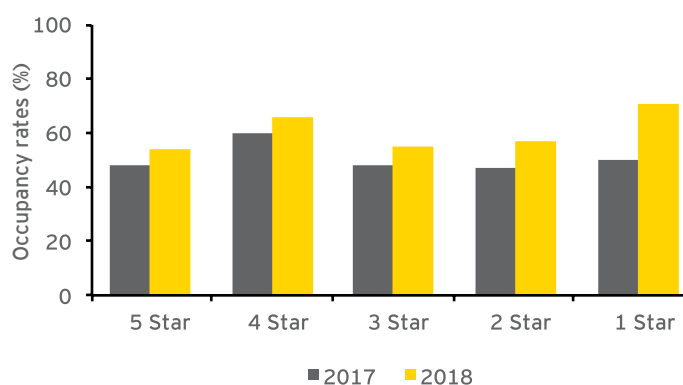
Accommodation by hotel type (2017 vs 2018)

Hotel Type	Nights spent		Average length of stay		Occupancy rate %	
	2017	2018	2017	2018	2017	2018
5 Star	7.6 mn	9.4 mn	2.1 mn	2.2 mn	47.9	53.5
4 Star	8.2 mn	6.1 mn	2.5 mn	2.5 mn	59.3	65.7
3 Star	1.9 mn	2.4 mn	2.2 mn	2.3 mn	48.1	54.7
2 Star	0.4 mn	0.4 mn	2.1 mn	2.2 mn	46.5	57.0
1 Star	0.06 mn	0.08 mn	2.1 mn	2.5 mn	49.5	71.0

Number of nights spent, by hotel type (2018)



Change in the occupancy rates of hotel types (2017 vs 2018)



Source: Republic of Turkey Ministry of Culture and Tourism, General Directorate of Investment and Enterprise, 2018 & 2019

4.3 (Contd.)

Istanbul Hospitality Sector: Hotel Types

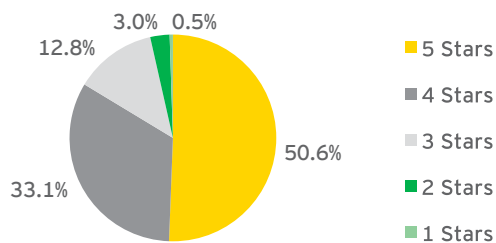
Distribution of foreigners vs. citizens by hotel type (2018)

- ▶ According to the data released by Republic of Turkey Ministry of Culture and Tourism, foreign visitors mostly prefer 5 star hotels with a 50.6% ratio, followed by 4 star hotels with 33.1% and 3 stars with 12.8%, respectively.
- ▶ Locals also prefer 5 stars hotels with a 57.2% proportion, followed by 4 stars with 26.4% and 3 stars with 13.7%, respectively.

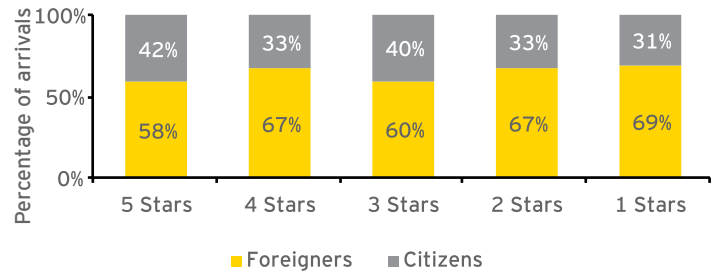
% of arrivals and nights spent by foreigners vs. citizens (2018)

- ▶ In terms of number of arrivals to these five types of hotels, foreign visitors have the major proportion in comparison to the citizens by more than 55%.
- ▶ Similarly, nights spent by foreigners has higher proportion as compared to locals.

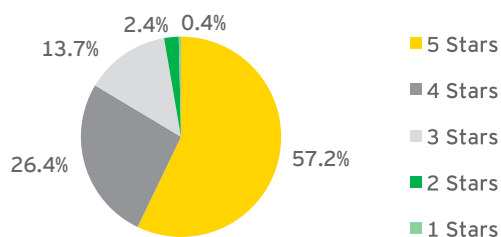
Number of arrivals by hotel category, foreigners



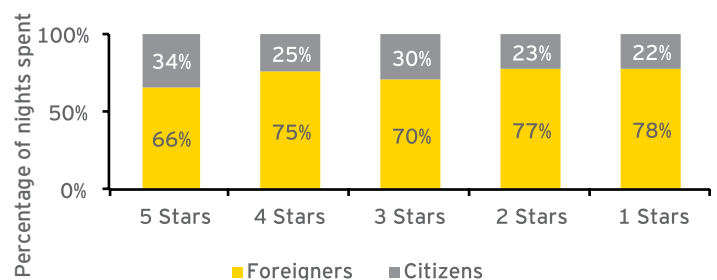
% of arrivals by foreigners vs. citizens

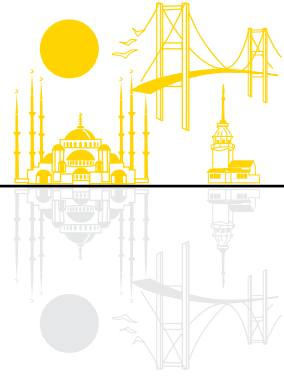


Number of arrivals by hotel category, locals



% of nights spent by foreigners vs. citizens





4.4

Istanbul Hospitality Sector: Investments

Major international and local hotels opened in Istanbul between 2015 and H1 2019

Year	Company name	Hotel	# of rooms
2015	Morgans Hotel Group	Mondrian Hotel	128
	InterContinental Hotels Group	Holiday Inn Express Istanbul Airport	110
	Hilton Worldwide	Hilton Garden Inn Istanbul Airport	217
	Hyatt Hotel Group	Hyatt Regency Ataköy	284
	Regis	The St. Regis Istanbul	118
	Soho House	Soho House Istanbul	105
	Mercure	Mercure Istanbul Topkapi	204
	Sheraton	Four Points by Sheraton Istanbul Dudullu	182
2016	Radisson Hotel Group	Radisson Blu Residence Istanbul Batisehir	171
	Accor Hotels	Pullman Istanbul Airport and Convention Center	403
	Accor Hotels	Novotel Istanbul Bosphorus	200
	Dedeman Hotels	Dedeman Park Bostancı	110
	Accor Hotels	Mercure Istanbul Airport	377
	Accor Hotels	Ibis Istanbul Airport	96
	Hilton Worldwide	Hilton Istanbul Bakirkoy	305
	Hilton Worldwide	Hampton by Hilton Istanbul Kurtköy (Sabiha Gokcen Airport)	148
2017	Radisson Hotel Group	Radisson Blu Hotel Istanbul Ottomare	133
	Fairmont Hotels	Fairmont Quasar Istanbul	207
	Accor Hotels	Ibis Hotel Tuzla	100
	Golden Tulip Hotels	Golden Tulip Bayrampaşa	169
	Accor Hotels	Mgallery Istanbul Galata	85
	Hilton Worldwide	DoubleTree by Hilton	216
2018	Hilton Worldwide	Hilton İstanbul Maslak	284
	Radisson	Park Inn by Radisson - Odayeri	96
	The Barceló Hotel Group	Barceló İstanbul	270
	Rotana Hotels & Resorts	Centro Westside İstanbul	152
	Hyatt Hotels Corporation	Nish Palas İstanbul	45
	Radisson	Park Inn by Radisson İstanbul	97
	NG Hotels & Resorts	Istanbul Marriott West Hotel & Conference Center - Güneşli	400
	Marriott	Four Points by Sheraton	440
2019 H1	Marriott	Sheraton Istanbul City Center	254
	Radisson Hotel Group	Radisson Residences Avrupa Tem	140
	Radisson Hotel Group	Radisson Residences Vadistanbul	169
	Hilton Worldwide	DoubleTree by Hilton Esentepe	104
	Peninsula Hotel	Galataport	180
	Mandarin Oriental	Mandarin Oriental Bosphorus	120
	Accor	Mercure Istanbul Bakırköy	93
	The Craton Hotel	The Craton Hotel Şişli	131
Pipeline Projects	Marriott	JW Marriott Istanbul Bosphorus	130
	Six Senses	Six Senses Kocatas Mansions	45
	Hilton*	Hagia Sofia Mansions, Curio Collection by Hilton.	76
	*34 rooms are operating while other rooms still in pre-operating process.		



Source: EY Research; Hotel News Now; JLL Turkey Commercial RE Market Overview 2016 Year- End Report; JLL Turkey Jan 2017 report; Horwath HTL Türkiye Zincirler ve Oteller Raporu 2019

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